

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-07 L-03 ACDA-10

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FM USMISSION NATO

TO SECSTATE WASHDC 5456

UNCLAS NATO 08019

E. O. 11652: N/A

TAGS: TECH, NATO, TGEN

SUBJECT: VON KARMAN INSTITUTE BUDGET FOR 1977/78

REF: (A) STATE 196834, (B) USNATO 07748, (C) STATE 012331

1. DURING THE INITIAL DISCUSSION CONCERNING THE COST-SHARING FORMULA FOR THE VON KARMAN INSTITUTE (VKI) BUDGET, THE US REP INDICATED THAT THE USG COULD CONTRIBUTE A MAXIMUM OF \$140,000, ESTIMATED AT 12 PCT OF THE BUDGET. WHILE ATTEMPTING TO DEVELOP A SHORT-TERM FORMULA AGREEABLE TO ALL THE CONTRIBUTING COUNTRIES FOR THE 1977/78 ACADEMIC YEAR, THE LOWER 11.7 PCT WAS REACHED FOR THE US, FRANCE, GERMANY AND UK, WITH BELGIUM CONTINUING TO CONTRIBUTE THE LARGEST SHARE, OR 32.6 PCT.

2. ALLIANCE REPS, INCLUDING THE US BUDGET REP, HAD REVIEWED THE 1977/78 BUDGET CAREFULLY AND BF 53,963,000 WAS THE MINIMUM REQUIRED FOR THE OPERATION OF THE VKI. UNFORTUNATELY, BECAUSE THE US REP WAS CONCENTRATING ON HOLDING OUR CONTRIBUTION BELOW 12 PCT, SHE NEGLECTED TO CALCULATE THE DOLLAR EQUIVALENT OF THE US SHARE OF THE PROPOSED VKI BUDGET, WHICH INCLUDED ONLY MANDATORY INCREASES, AND TO FORECAST THE POSSIBILITY OF A DOWNWARD EXCHANGE RATE MOVEMENT. AS A RESULT, THE US SHARE FOR 1977/78 EXCEEDS THE \$140,000.

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3. ASYG PANSA WAS NOTIFIED BY LETTER ON AUGUST 22 THAT THE US MISSION COULD NOT APPROVE VKI 1977/78 BUDGET PENDING FURTHER STUDY BY WASHINGTON.

4. WE SUGGEST THAT DURING REVIEW OF THE VKI BUDGET, WASHINGTON MAY WISH TO CONSIDER THE FOLLOWING POINTS:

A. SEEKING TO OBTAIN AN EQUITABLE PERCENTAGE SHARE  
AMONG THE MAJOR COUNTRIES HAS BEEN AND MUST CONTINUE TO  
BE OUR CHIEF CONCERN;

B. WE NOTE THAT USAF HAS BUDGETED \$140,000 FOR THE  
FOLLOWING FOUR ACADEMIC YEARS. THROUGH NORMAL  
INFLATION, THE VKI BUDGET WILL INCREASE EVERY YEAR.  
THEREFORE, USAF MAY WISH TO BUDGET FOR THE INFLATION OF  
FUTURE YEARS, WHICH IS AVERAGING 13 PCT ANNUALLY IN  
BELGIUM AT THE MOMENT, AS WELL AS FOR A POSSIBLE  
NEGATIVE EXCHANGE RATE;

C. FYI: SOME GOVERNMENTS ARE NOW RECONSIDERING THEIR  
PARTICIPATION IN THE VKI BECAUSE OF THE UK WITHDRAWAL  
AFTER ACADEMIC YEAR 1977/78. ANY WITHDRAWAL WOULD  
INCREASE PRESSURE FOR HIGHER CONTRIBUTIONS AND LARGER  
SHARES FROM OTHERS IN FUTURE YEARS.BENNETT

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## Message Attributes

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